

CITY OF HUMBOLDT, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants

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CITY OF HUMBOLDT, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Walter Jensen	Mayor	Jan 2016
Dan Scholl	Council Member	Jan 2016
John Sleiter	Council Member	Jan 2016
Joel Goodell	Council Member	Jan 2016
Bret Davis	Council Member	Jan 2018
Darrell Rusher	Council Member	Jan 2018
Aaron Burnett	Administrator	
Gloria Christensen	City Clerk	
Sierra Vorland	Deputy City Clerk	
Steve Boomgarden	Zoning Administrator Officer	Jan 2016
Gloria Christensen	Mid-Iowa Regional Housing Authority Representative	Jan 2016
Eric Eide	Attorney	Jan 2015
Lance DeWinter	Park Commission	Jan 2016
Tom Tecklenberg	Park Commission	Jan 2016
Mike Worthington	Park Commission	Jan 2016
Kim Jensen	Park Commission	Jan 2018
Ross Sleiter	Park Commission	Jan 2018
Susan Hett	Library Trustee	July 2019
Abby Harklau	Library Trustee	July 2017
Tricia Gargano	Library Trustee	July 2019
Tom Tecklenberg	Library Trustee	July 2017
Mike Terwilliger	Library Trustee	July 2019
Robert Dodd	Airport Commission	Jan 2015
Ed Allen	Airport Commission	Jan 2016
Dave Dodgen	Airport Commission	Jan 2019
John Cero	Airport Commission	Jan 2020

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Vouth Varangkounh	Planning and Zoning Commission	Jan 2021
Cory Matson	Planning and Zoning Commission	Jan 2016
Scott Curran	Planning and Zoning Commission	Jan 2016
Frank Rathke	Planning and Zoning Commission	Jan 2019
Jay Bancroft	Planning and Zoning Commission	Jan 2020
Alan Blanchard	Planning and Zoning Commission	Jan 2020
Jim Mertz	Planning and Zoning Commission	Jan 2021
Bill Hansen	Zoning Adjustment Board	Jan 2016
Scott Lerdal	Zoning Adjustment Board	Jan 2016
Leah Burnett	Zoning Adjustment Board	Jan 2017
Conrad Burgers	Zoning Adjustment Board	Jan 2018
Jim Mertz	Zoning Adjustment Board	Jan 2019
Vivien Hansen	Preservation Board	Jan 2016
Pam Sande	Preservation Board	Jan 2016
Martha Schmidt	Preservation Board	Jan 2016
Mary Carlson	Preservation Board	Jan 2017
Roger Gochenour	Preservation Board	Jan 2017



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Humboldt, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Humboldt as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Humboldt adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting of Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Humboldt's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 12 and 28 through 33 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2016, on our consideration of the City of Humboldt's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Humboldt's internal control over financial reporting and compliance.

T.P. Anderson & Company

January 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Humboldt, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 2%, or approximately \$139,000 from fiscal 2014 to fiscal 2015. The decrease was mainly the result of decreased debt proceeds received of \$1,870,000 and an increase in capital grants of \$1,202,000.
- Disbursements of the City's governmental activities increased 4%, or approximately \$280,000 in fiscal 2015 from fiscal 2014. Disbursements for community and economic development expenditures decreased during the year by \$1,077,000, while public works, debt service, and capital projects increased by \$282,000, \$253,000, and \$996,000, respectively.
- The City's total cash basis net position decreased 32%, or approximately \$1,558,000 from June 30, 2014 to June 30, 2015. Of this amount, the assets of the governmental activities decreased approximately \$910,000 and the assets of the business type activities decreased by approximately \$648,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's cash basis net position. Over time, increases or decreases in the City's cash basis net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, solid waste and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic service. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required cash basis financial statement for governmental funds includes a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, solid waste, and sewer funds.

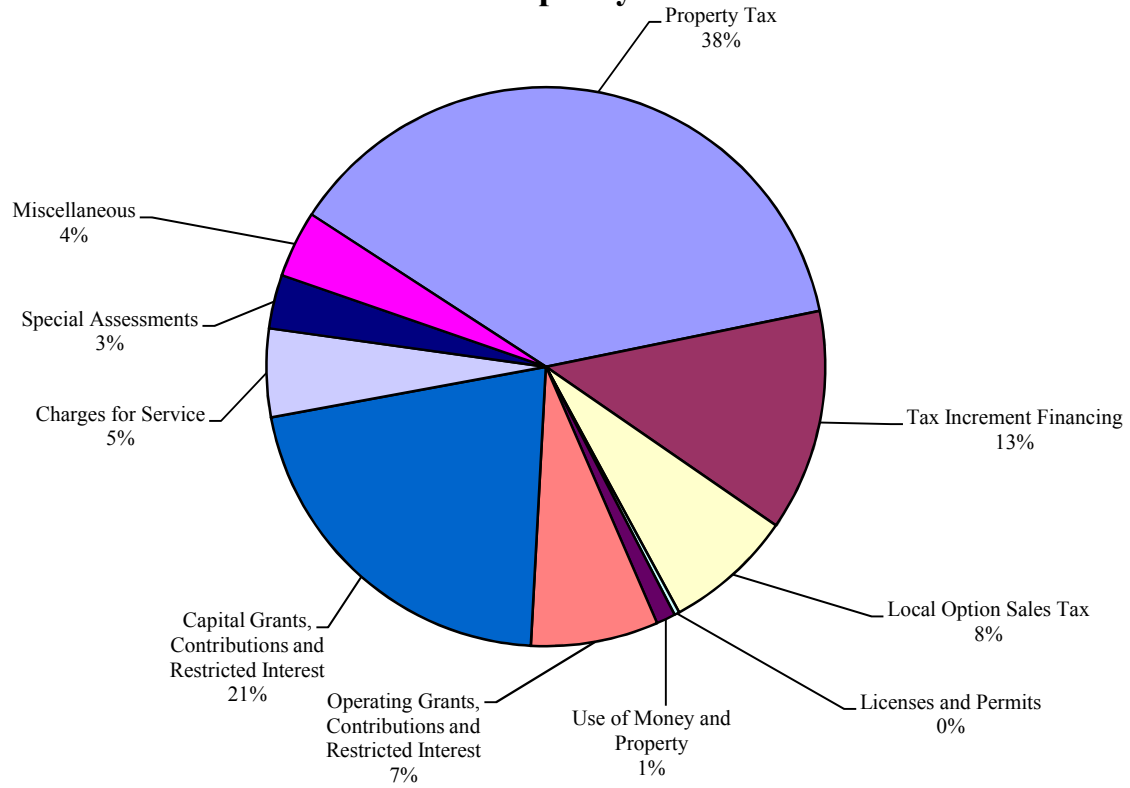
The required cash basis financial statement for proprietary funds includes a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

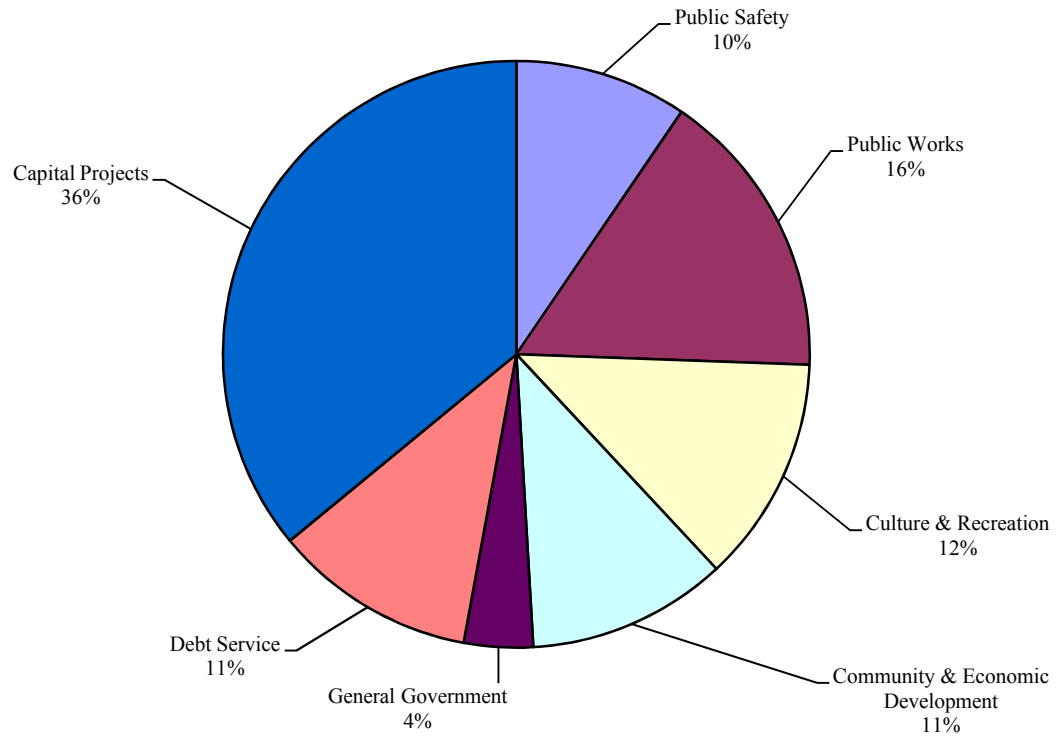
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$3.65 million to \$2.74 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 349	310
Operating grants, contributions and restricted interest	504	471
Capital grants, contributions and restricted interest	1,454	252
General receipts:		
Property tax	2,575	2,346
Tax increment financing	877	825
Local option sales tax	512	426
Unrestricted investment earnings	10	10
Bond proceeds – net of payments to refunding escrow agent	-	1,870
Other general receipts	563	473
Total receipts and transfers	6,844	6,983
Disbursements:		
Public safety	738	726
Public works	1,245	963
Culture and recreation	968	1,068
Community and economic development	855	1,932
General government	294	380
Debt service	866	613
Capital projects	2,788	1,792
Total disbursements	7,754	7,474
Change in cash basis net position before transfers	(910)	(491)
Transfers, net	-	-
Change in cash basis net position	(910)	(491)
Cash basis net position beginning of year	3,646	4,137
Cash basis net position end of year	\$ 2,736	3,646

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased by approximately \$139,000 or 2%. The total cost of all programs and services increased by approximately \$280,000 or 4%, with no new programs added this year. The increase in the cost of programs and services was primarily due to increases in public works, debt service, and capital projects, and a decrease in community and economic development expenditures in the fiscal year.

The cost of all governmental activities this year was \$7.75 million compared to \$7.47 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on page 13, the amount taxpayers ultimately financed for these activities was only \$5.45 million because some of the cost was paid by those directly benefited from the programs (\$349,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$1,958,000). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2015 from approximately \$1.03 million in the prior fiscal year to approximately \$2.31 million. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$3.96 million in tax (some of which could only be used for certain programs), and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,077	1,183
Solid waste	376	344
Sewer	913	959
General receipts:		
Miscellaneous	11	80
Unrestricted interest on investments	2	2
Bond proceeds (net of refunded bonds)	279	3,021
Total receipts	2,658	5,589
Disbursements:		
Water	1,788	4,503
Solid waste	532	380
Sewer	987	850
Total disbursements	3,307	5,733
Change in cash basis net position before transfers	(649)	(144)
Transfers, net	-	-
Change in cash basis net position	(649)	(144)
Cash basis net position beginning of year	1,167	1,311
Cash basis net position end of year	\$ 518	1,167

Total business type activities receipts for the fiscal year were \$2.66 million compared to \$5.59 million last year, primarily because bond proceeds declined by \$2.74 million from the \$3.02 million water plant renovation

bonds of the prior year. The cash balance for the business type activities decreased by approximately \$649,000 from the prior year.

Disbursements for the City's business-type activities decreased 42% from the fiscal year 2014 disbursements. The decrease primarily resulted from a decrease in capital project disbursements compared to the prior year's \$3.3 million for the water plant renovation project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As The City of Humboldt completed the year, its governmental funds reported a combined fund balance of \$2,736,148, which is a decrease of \$909,652 below last year's total of \$3,645,800. The following are brief descriptions of the reasons for the changes in fund balances of the City's major funds when compared to the prior year.

- The General Fund cash balance increased from approximately \$120,000 in the prior year to \$253,000 in the current year due to planned operations of the fund.
- The Special Revenue, Urban Renewal Tax Increment Financing Fund increased \$86,000.
- The Special Revenue, Library Trust Fund ended the year with a fund balance of \$501,000, a decrease from 2014 of approximately \$12,000 as a result of the normal operations of the fund.
- The Debt Service Fund balance remained relatively consistent from the prior year, with the cash balance increasing only \$3,000 from 2014. The change year over year was expected as noted in the budgeting process.
- The Louthan Fund balance increased by approximately \$1,000 to \$467,000 as a result of normal operations of the fund.
- The Capital Project Fund – Streets fund balance decreased from \$1,215,023 from the prior year to \$565,858 in the current year, primarily due to capital project expenditures.
- The Capital Project Fund – Sumner Avenue fund had expenditures of approximately \$1,196,000 during the year as new capital projects began on the sidewalk and bridge. The City plans to receive tax increment financing in the upcoming year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased approximately \$426,000 to a deficit of \$196,000, primarily due to an decrease in bond proceeds from the prior year.
- The Enterprise, Sewer Fund cash balance decreased approximately \$67,000 to \$699,000 during the year due to planned operations of the fund.
- The Enterprise, Solid Waste Fund cash balance decreased approximately \$155,000 to \$16,000. The decrease was due to planned operations of the fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 18, 2015 and resulted in an increase in intergovernmental revenues of \$111,100, an increase in

miscellaneous revenues of \$23,000 and an increase in other financing sources of \$45,000. Budgeted disbursements increased overall by \$2.3 million dollars resulting largely from an increased budget for capital projects.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$16.2 million in bonds and other long-term debt, compared to approximately \$17.8 million last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2015	2014
General obligation bonds	\$ 8,575	9,850
Other bonds and notes	204	72
Revenue notes	7,607	7,884
Total	\$ 16,386	17,806

Debt decreased due to the normal payments of GO debt as required by the City's bond agreement.

The Constitution of the State of Iowa limits the amount of general obligation debt cities issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$8,575,000 is below its constitutional debt limit of \$12,436,900.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Humboldt's elected and appointed officials and citizens have considered many factors when setting the fiscal year 2015 budget, tax rates and fees that will be charged for the various City activities.

The January 1, 2014 property valuation serves as the basis for calculating property taxes for the 2015-2016 fiscal year. The City of Humboldt's total assessed valuation increased slightly this year, from \$249,973,979 on January 1, 2013 to \$256,377,812 on January 1, 2014, an increase of 2.6%. Accordingly, the City's taxable valuation increased by the same percentage, from \$135,802,681 in FY 14-15 to \$139,359,967 in FY 15-16.

This increase in taxable value will be offset by several factors. First, we have a substantial increase in the amount of valuation being used by TIF projects. We are asking for all of the tax increment available in the South Side Urban Renewal Area (which includes the Riverview Heights and Eagle Ridge subdivisions) for payments on the Eagle Ridge Subdivision debt. In addition, we have asked for all of the available tax increment in the Central Business District for debt incurred there. Starting this year, and continuing in future years, a significant amount of valuation will be released back onto regular property tax rolls, and our taxable valuations will increase dramatically.

New legislation in effect last year for the first time provides a rollback to commercial and industrial property as well. The rollback for those properties will be 95% for valuations established during the 2014 assessment year (and subsequent years), which impact the FY 15-16 tax receipts. In simpler terms, this means that 90% of the value of commercial and industrial properties will be taxable; the amount taxing entities can

collect from those properties is reduced by 10%.

The State Legislature has created a standing appropriation, beginning in FY 14-15, to reimburse local governments for the property tax reductions resulting from the new rollback for commercial and industrial property. The FY 15-16 “backfill” reimbursement for Humboldt is estimated at approximately \$116,500. While this amount is currently budgeted, it is very possible that the state will not fulfill this obligation in the future in which case the city would need to absorb this amount into the remaining revenues and likely cut services. The residential rollback percentage increased again this year for the sixth year in a row, from 54.4002% to 55.7335%.

In dollars, our total request this year is \$2,564,592; this is an increase over last year’s request (\$2,515,724) of \$48,868, or 1.94%.

The increase in the taxable valuations will offset the increase in the rollback, and result in an increase of our of our \$8.10/\$1,000 General Fund levy revenues of \$26,814 from the previous year (an increase of 2.44%).

We are proposing an decrease in the total tax levy this year of \$1.03244/\$1,000, from \$17.44184 in FY 14-15 to \$17.40940 in FY 15-16. In the past, we have been able to maintain our total tax levy by using down some fund balances. We will continue to do this in only a few funds this year. Continued additional industrial development, significant new housing construction and the gradual reduction in TIF certifications as obligations are retired will help further increase taxable valuations in the coming years and assist in rebuilding the General Fund.

The Council approved a wage increase for all employees, regular or union, of 3.0%.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Humboldt’s finances and to show the City’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Gloria Christensen, City Clerk, 29 5th Street South, Humboldt, Iowa 50548.

Basic Financial Statements

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Primary Government							
Governmental activities:							
Public safety	737,627	123,304	16,348	-	(597,975)	-	(597,975)
Public works	1,245,324	20,286	487,678	484,629	(252,731)	-	(252,731)
Culture and recreation	968,064	205,183	-	4,000	(758,881)	-	(758,881)
Community and economic development	855,078	-	-	-	(855,078)	-	(855,078)
General government	293,554	-	-	-	(293,554)	-	(293,554)
Debt Service	865,982	-	-	-	(865,982)	-	(865,982)
Capital projects	2,787,751	-	-	965,000	(1,822,751)	-	(1,822,751)
Total governmental activities	7,753,380	348,773	504,026	1,453,629	(5,446,952)	-	(5,446,952)
Business type activities							
Water	1,788,191	1,077,340	-	-	-	(710,851)	(710,851)
Solid waste	531,748	376,125	-	-	-	(155,623)	(155,623)
Sewer	986,868	912,466	-	-	-	(74,402)	(74,402)
Total business type activities	3,306,807	2,365,931	-	-	-	(940,876)	(940,876)
Total	11,060,187	2,714,704	504,026	1,453,629	(5,446,952)	(940,876)	(6,387,828)
General Receipts:							
Property tax levied for:							
General purposes					1,734,346	-	1,734,346
Tax increment financing					877,479	-	877,479
Debt Service					840,707	-	840,707
Local option sales tax					511,759	-	511,759
Unrestricted interest on investments					9,598	2,080	11,678
Bond Proceeds					-	279,152	279,152
Other general receipts					563,411	11,286	574,697
Total general receipts					4,537,300	292,518	4,829,818
Change in cash basis net position					(909,652)	(648,358)	(1,558,010)
Cash basis net position beginning of year					3,645,800	1,166,995	4,812,795
Cash basis net position end of year					2,736,148	518,637	3,254,785
Cash Basis Net Position:							
Restricted							
Nonexpendable:							
Louthan fund					463,325	-	463,325
Cemetery perpetual care					52,051	-	52,051
Expendable:							
Urban renewal purpose					289,513	-	289,513
Debt service					58,956	246,566	305,522
Employee benefits					147,214	-	147,214
Streets					228,032	-	228,032
Other purposes					1,525,826	18,419	1,544,245
Unrestricted					(28,769)	253,652	224,883
Total Cash Basis Net Position					2,736,148	518,637	3,254,785

See Notes to Financial Statements

CITY OF HUMBOLDT, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	General	Special Revenue			Permanent
		Urban Renewal Tax Increment	Library Trust	Debt Service	Louthan
Receipts:					
Property tax	\$ 1,387,783	-	-	840,707	-
Tax increment financing collections	-	877,479	-	-	-
Other city tax	44,382	-	-	-	-
Licenses and permits	20,031	-	-	-	-
Use of money and property	47,930	-	2,507	-	1,396
Intergovernmental	504,977	-	-	-	-
Charges for service	348,773	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	37,382	456	1,869	28,598	-
Total receipts	2,391,258	877,935	4,376	869,305	1,396
Disbursements:					
Operating:					
Public safety	598,080	-	-	-	-
Public works	635,816	-	-	-	-
Culture and recreation	802,104	-	16,640	-	-
Community and economic development	55,467	705,984	-	-	-
General government	187,673	-	-	-	-
Debt service	-	-	-	865,982	-
Capital projects	-	-	-	-	-
Total disbursements	2,279,140	705,984	16,640	865,982	-
Excess (deficiency) of receipts over disbursements	112,118	171,951	(12,264)	3,323	1,396
Other financing sources (uses):					
Operating transfers in	21,090	-	-	-	-
Operating transfers out	-	(85,646)	-	-	-
Total other financing sources (uses)	21,090	(85,646)	-	-	-
Net change in cash balances	133,208	86,305	(12,264)	3,323	1,396
Cash balances beginning of year	120,048	203,208	512,991	55,633	466,230
Cash balances end of year	\$ 253,256	289,513	500,727	58,956	467,626
Cash Basis Fund Balances					
Nonspendable					
Louthan	-	-	-	-	463,325
Cemetery perpetual care	-	-	-	-	-
Restricted for:					
Urban renewal purposes	-	289,513	-	-	-
Debt service	-	-	-	58,956	-
Employee benefits	-	-	-	-	-
Streets	-	-	-	-	-
Other purposes	-	-	500,727	-	-
Assigned	57,400	-	-	-	-
Unassigned	195,856	-	-	-	4,301
Total cash basis fund balances	\$ 253,256	289,513	500,727	58,956	467,626

Exhibit B

Capital Projects		Other Nonmajor Governmental Funds	Total
Streets	Sumner Avenue		
-	-	346,563	2,575,053
-	-	-	877,479
-	-	467,377	511,759
-	-	-	20,031
-	-	23,625	75,458
-	965,000	487,682	1,957,659
-	-	-	348,773
-	-	213,121	213,121
-	-	196,090	264,395
-	965,000	1,734,458	6,843,728
-	-	139,547	737,627
-	-	609,508	1,245,324
-	-	149,320	968,064
-	-	93,627	855,078
-	-	105,881	293,554
-	-	-	865,982
463,128	2,160,924	163,699	2,787,751
463,128	2,160,924	1,261,582	7,753,380
(463,128)	(1,195,924)	472,876	(909,652)
-	1,685,000	271,683	1,977,773
(186,037)	-	(1,706,090)	(1,977,773)
(186,037)	1,685,000	(1,434,407)	-
(649,165)	489,076	(961,531)	(909,652)
1,215,023	(539,596)	1,612,263	3,645,800
565,858	(50,520)	650,732	2,736,148
-	-	-	463,325
-	-	52,051	52,051
-	-	-	289,513
-	-	-	58,956
-	-	147,214	147,214
-	-	228,032	228,032
565,858	-	459,241	1,525,826
-	-	-	57,400
-	(50,520)	(235,806)	(86,169)
565,858	(50,520)	650,732	2,736,148

CITY OF HUMBOLDT, IOWA

Exhibit C

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Water	Sewer	Solid Waste	Total
Operating receipts:				
Charges for service	\$ 1,077,340	912,466	376,125	2,365,931
Miscellaneous	5,433	5,832	21	11,286
Total operating receipts	1,082,773	918,298	376,146	2,377,217
Operating disbursements:				
Business type activities	826,323	667,638	531,748	2,025,709
Total operating disbursements	826,323	667,638	531,748	2,025,709
Excess of operating receipts under operating disbursements	256,450	250,660	(155,602)	351,508
Non-operating receipts (disbursements):				
Interest on investments	16	1,952	112	2,080
Debt service	(446,925)	(319,230)	-	(766,155)
Capital projects	(514,943)	-	-	(514,943)
Total non-operating receipts	(961,852)	(317,278)	112	(1,279,018)
Excess (deficit) of receipts and non-operating receipts over (under) disbursements	(705,402)	(66,618)	(155,490)	(927,510)
Other financing sources/(uses):				
Bond proceeds	279,152	-	-	279,152
Total other financing sources	279,152	-	-	279,152
Net change in cash balances	(426,250)	(66,618)	(155,490)	(648,358)
Cash balances beginning of year	230,354	765,339	171,302	1,166,995
Cash balances end of year	\$ (195,896)	698,721	15,812	518,637
Cash Basis Fund Balances				
Restricted for:				
Debt service	-	246,566	-	246,566
Other purposes	9,411	9,008	-	18,419
Unrestricted	(205,307)	443,147	15,812	253,652
Total cash basis fund balances	\$ (195,896)	698,721	15,812	518,637

See Notes to Financial Statements

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Humboldt is a political subdivision of the State of Iowa located in Humboldt County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities and solid waste services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Humboldt (City) has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements present the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

Blended Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate funds.

One drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the City, it is controlled, managed, and supervised by the City Council. The drainage district is reported as a Special Revenue Fund. Financial information of the individual drainage district can be obtained from the City Clerk's Office.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Humboldt County Conference Board, Humboldt County Emergency Management Commission, Humboldt County Joint E911 Service Board, Humboldt County Public Safety Commission, The North Central Iowa Regional Solid Waste Agency, Humboldt County Landfill, and MIDAS Council of Governments.

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

This Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and repayment of tax increment financing indebtedness.

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

The Library Trust Fund is used to account for proceeds collected for the municipal library.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the city's general long-term debt.

Permanent Fund:

Louthan – This fund is used to account for the permanently restricted dollars that have been donated to the City.

Capital Projects Funds:

Street – The fund is being used by the City to account for the various street improvement projects for the City.

Sumner Avenue – The fund is being used to account for the improvements to the infrastructure located on Sumner Avenue.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system. The Water Fund includes in its cash balance customer deposits of \$9,411 as of June 30, 2015, which have been reported as restricted funds.

The Enterprise, Sewer Fund accounts for operation and maintenance of the City's wastewater treatment and sanitary sewer system and includes the sinking funds which have a balance of \$27,066. It also accounts for the payment of interest and principal on the City's Sewer Revenue Refunding Capital Loan Notes and the related reserve fund which had a balance of \$219,500 at June 30, 2015. The Sewer Revenue Refunding Capital Loan Notes require a balance of \$219,500 to be held in reserve. The Sewer Fund also includes in its cash balance customer deposits of \$9,008 at June 30, 2015. These balances have been reported as restricted.

The Enterprise, Solid Waste Fund accounts for the operations and maintenance of the City's solid waste system.

C. Measurement Focus and Basis of Accounting

The City of Humboldt maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted for business type activities function.

(2) Cash and Investments

The City's deposits in banks at June 30, 2015 (which include certificates of deposit totaling \$1,282,746) were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,199 pursuant to Rule-2a under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated.

Interest Rate Risk

The City's investment policy limits investment of operating funds (fund expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Interest received on cash balances of the City of Humboldt amounted to \$11,584 for the year ended June 30, 2015. These receipts are included under Use of Money and Property for Governmental Funds and Interest on Investments for proprietary activities.

The City maintains two bank accounts in conjunction with the implementation of the City's revolving loan program. These accounts are restricted for use in the city's revolving loan program and are reported as a separate fund on Schedule 1. The accounts had balances of \$68,722 and \$95,676 at June 30, 2015.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation, urban renewal tax increment financing revenue bonds, revenue notes and other long-term debt are as follows:

Year	Urban Renewal									
Ending	General Obligation		TIF		Revenue		Additional Warrants		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	1,280,000	234,809	25,000	3,430	567,000	142,273	59,195	14,461	1,931,195	384,973
2017	1,195,000	213,129	20,000	1,880	572,000	137,970	18,132	8,703	1,805,132	361,682
2018	1,080,000	187,186	10,000	630	582,000	128,030	18,132	7,615	1,690,132	323,461
2019	1,105,000	160,746	-	-	593,000	117,152	18,132	6,528	1,716,132	284,426
2020	880,000	139,084	-	-	388,000	105,602	18,132	5,440	1,286,132	250,126
2021	600,000	114,295	-	-	294,000	97,742	18,132	4,352	912,132	216,389
2022	580,000	90,977	-	-	300,000	91,862	18,132	3,264	898,132	186,103
2023	600,000	67,685	-	-	306,000	85,862	18,132	2,176	924,132	155,723
2024	615,000	42,700	-	-	312,000	79,742	18,132	1,088	945,132	123,530
2025	75,000	16,368	-	-	319,000	73,502	-	-	394,000	89,870
2026	85,000	14,455	-	-	325,000	67,122	-	-	410,000	81,577
2027	90,000	12,288	-	-	331,000	60,622	-	-	421,000	72,910
2028	95,000	9,813	-	-	338,000	54,002	-	-	433,000	63,815
2029	100,000	7,200	-	-	345,000	47,242	-	-	445,000	54,442
2030	70,000	4,200	-	-	352,000	40,342	-	-	422,000	44,542
2031	70,000	2,100	-	-	359,000	33,032	-	-	429,000	35,402
2032	-	-	-	-	366,000	20,462	-	-	366,000	20,462

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

2033	-	-	-	-	958,275	18,802	-	-	958,275	18,802
	8,520,000	1,317,032	55,000	5,940	7,607,275	1,406,640	204,251	53,627	16,386,526	2,768,235

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay up to \$6,814,000 of water revenue capital loan notes issued in 2013. Proceeds from the notes provided financing for the planning of water treatment plant improvements. The notes are payable solely from water customer net receipts and are payable through 2033. The total principal and interest remaining to be paid on the notes is \$6,292,275 and \$1,343,967, respectively. For the current year, principal and interest paid and the excess of operating receipts over operating disbursements for the water fund were \$391,032 and \$256,450, respectively. Provided the City proceeds with diligence to the completion of the project and complies with all applicable requirements as set forth in the Loan and Disbursement Agreement, following completion of the project a portion of the loan equal to approximately \$590,000 shall be forgiven and no payments of principal or interest shall be due with respect to the forgivable portion.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay sewer revenue refunding notes issued in April 2012. The notes are payable solely from sewer customer net receipts and are payable through 2020. The total principal and interest remaining to be paid on the notes is \$1,315,000 and \$62,673, respectively. For the current year, principal and interest paid and the excess of operating receipts over operating disbursements for the sewer fund were \$319,230 and \$250,660, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sinking fund for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers of 25% of the monthly sinking fund deposit to sewer revenue reserve fund shall be made until the maximum principal and interest due in any year under the loan has been accumulated, approximately \$219,500. This fund is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system. The minimum required balance had been accumulated at June 30, 2015.
- (d) For the Water and Sewer funds, sufficient rates are to be charged to generate Net Revenues adequate to pay the principal and interest on the bonds and to create/maintain the reserves required by the bonds. The Net Revenues are also to be equal to or greater than 110 percent of the principal and interest requirements of the succeeding fiscal year. The Water and Sewer funds failed to meet this requirement for the year ended June 30, 2015.

Other Long-term Debt

During the year, the City elected to pay a drainage assessment of \$181,320 over 10 years with annual payments of \$18,132 plus 6% interest.

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

A summary of changes in long-term debt for the year ended June 30, 2015 is as follows:

	General Obligation Bonds	Revenue Bonds	Other Notes	Total
Balance, beginning of year	\$ 9,850,000	7,884,123	72,047	17,806,170
Additions	-	279,152	181,320	460,472
Deletions	<u>1,275,000</u>	<u>556,000</u>	<u>49,116</u>	<u>1,880,116</u>
Balance, end of year	<u>\$ 8,575,000</u>	<u>7,607,275</u>	<u>204,251</u>	<u>16,386,526</u>

Interest rates on the general obligation bonds range from 0.70 to 5.85%. Interest rates on the revenue bonds range from 0.60 to 2.00% and interest rates on the other debt range from 4.00 to 6.00%.

(4) Pension and Retirement Benefits

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

A protection occupation member may retire at normal retirement age, which is generally age 55. A protection occupation member may retire any time after they reach age 50, if at least 22 years of covered employment have elapsed. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$110,297.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$456,959. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.011522 percent, which was a decrease of 0.002081 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$45,899, \$28,998 and \$276,635 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase	4.00 to 17.00 percent, average, including inflation. Rates vary by

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(effective June 30, 2010) Long-term investment rate of return (effective June 30, 1996)	membership group. 7.50 percent, compounded annually, net of investments expense, including inflation.
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The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability (asset)	\$1,070,299	\$456,959	\$(60,552)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Post Employment Benefits (OPEB)

Plan Description – The City operates a single employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 19 active and no inactive members in the plan. Participants must be 55 or older at retirement.

The medical benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premiums for medical benefits as active members.

Funding Policy – the contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$445 for single coverage and \$987 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$110,887 and plan members contributed \$34,375 to the plan.

(6) Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use. Earned vacation is paid when used or when employment is terminated. Personal hours are not paid upon termination of employment. Sick leave is paid when used or upon retirement up to 15 days given that an employee has been a regular full time or regular part time employee of the City of Humboldt for at least 10 consecutive years immediately prior to retirement. Employees may convert up to twenty-four hours of sick leave to eight hours of vacation for every six months, January to June and July to December in which no sick leave is utilized. This conversion of sick leave to vacation shall not be allowed if it results in the employee's cumulative total of sick leave to be less than eighty hours. These accumulations are not recognized as expenditures by the City until they are paid. The City's approximate maximum liability for unrecognized accrued employee benefits, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount at June 30, 2015</u>
Sick pay and personal days	\$ 280,498
Vacation pay	<u>51,647</u>
Total	<u>\$ 332,145</u>

The liability has been computed based on rates of pay in effect at June 30, 2015.

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(7) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2015 is as follows:

Transfer In	Transfer From	Amount
General Fund	Special Revenue Fund – Community Projects Permanent – Cemetery Perpetual Care	<u>\$ 21,090</u>
Special Revenue Fund Road Use Tax	Capital Projects Fund Streets	<u>\$ 186,037</u>
Capital Projects Fund Sumner Ave	Special Revenue Fund Local Option Sales Tax	<u>\$ 1,685,000</u>
Capital Projects Fund Downtown Demolition	Special Revenue Fund Urban Renewal TIF	<u>\$ 85,646</u>

All transfers were made with prior approval of the City Council and generally move resources from the fund statutorily required to collect the resource to the fund statutorily required to disburse the resources.

(8) Risk Management

The City of Humboldt is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City of Humboldt also self-insures a portion of its employees' health insurance. The City uses a third party administrator to determine appropriate claims. At June 30, 2015, there were no unpaid claims due.

(9) Deficit Fund Balance

The Economic Development Office and the Chamber of Commerce Funds had deficit balances of \$5,934 and \$1,514, respectively, at June 30, 2015. The City pays bills on a reimbursement basis on behalf of these organizations. The deficit balances were a result of the City not yet receiving reimbursement for bills paid.

The Sumner Avenue and Eagle Ridge Capital Project Funds had deficit balances of \$50,520 and \$231,960, respectively, at June 30, 2015. The deficit balances were a result of project costs and debt obligations being paid prior to the collection of the related receipts. The deficit balance will be eliminated upon receipt of tax increment financing in the upcoming fiscal year.

The Water Enterprise Fund had a deficit balance of \$195,896 at June 30, 2015. The deficit balance is a result of project cost and debt obligation being paid prior to collection of the related receipts. The deficit balance will be eliminated upon receipt of bond receipts.

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(10) Property Taxes

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Humboldt. Property taxes become liens on property as of July 1, 2014 and are payable in September 2014 and March 2015. The valuation for the taxes were based on January 1, 2013 assessed property valuations, and are based on a certified budget from March of 2014.

(11) Contracts

The City previously contracted with the Humboldt County Landfill Commission for landfill use for solid waste disposal for residences and businesses within the City. Effective December 31, 1995 the City withdrew from the Humboldt County Landfill. The City will continue to be liable for their share of post-closure costs that amounted to \$21,428 for the year ended June 30, 2015. The City will have an estimated annual liability of \$21,000 for the post-closure costs which will continue for the 11 years remaining on the post-closure period.

Due to the withdrawal from Humboldt County Landfill, the City has entered into an agreement with the North Central Solid Waste Agency for solid waste disposal. Total payments by the City under this agreement for the year ended June 30, 2015 were \$49,797. This agreement is perpetual unless otherwise terminated or dissolved. The City is assessed a fee based on tonnage received at the landfill. The fee is adjusted annually.

The City has also contracted the Humboldt County Public Safety Commission (Commission) for use of the law enforcement center building. For the year ended June 30, 2015, the City paid \$116,301 pursuant to this agreement. This agreement is perpetual unless otherwise terminated or dissolved. The Commission meets annually to set the budget.

The City has also contracted with a private contractor, PeopleService, Inc., for the operation and maintenance of the municipal sewer plant and municipal waterworks. Payments under these contracts totaled \$188,992 and \$446,909 respectively for the year ended June 30, 2015. The monthly compensation paid to PeopleService, Inc. is adjusted on an annual basis for the change in Consumer Price Index for all Urban Consumers as regularly reported by the U.S. Bureau of Labor Statistics. This agreement extends through June 30, 2016.

(12) Subsequent Events

The City issued \$1,575,000 of General Obligation Bonds on November 20, 2015 to finance the retirement of previously issued General Obligation Bonds and to finance improvements at the Eagle Ridge Housing Development. The bonds will be payable as follows with the corresponding interest rates.

CITY OF HUMBOLDT, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

<u>Payable June 1,</u>	<u>Amount</u>	<u>Interest Rate</u>
2016	265,000	2.00%
2017	255,000	2.00%
2018	260,000	2.00%
2019	290,000	2.00%
2020	165,000	1.50%
2021	30,000	4.00%
2022	30,000	4.00%
2023	30,000	4.00%
2024	30,000	4.00%
2025	35,000	4.00%
2026	35,000	4.00%
2027	35,000	4.00%
2028	35,000	4.00%
2029	40,000	4.00%
2030	40,000	4.00%

The City has evaluated events and transactions for potential recognition or disclosure through January 20, 2016, the date the financial statements were issued.

Other Information

CITY OF HUMBOLDT, IOWA

Budgetary Comparison Schedule of Receipts, Disbursements, and
Changes in Balances - Budget and Actual (Cash Basis) -
All Government Funds and Proprietary Funds

Other Information
Year Ended June 30, 2015

	Governmental Funds Activity	Proprietary Funds Activity	Net
Receipts:			
Property tax	\$ 2,575,053	-	2,575,053
Tax increment financing collections	877,479	-	877,479
Other city tax	511,759	-	511,759
Licenses and permits	20,031	-	20,031
Use of money and property	75,458	2,080	77,538
Intergovernmental	1,957,659	-	1,957,659
Charges for service	348,773	2,365,931	2,714,704
Special assessments	213,121	-	213,121
Miscellaneous	264,395	11,286	275,681
Total receipts	6,843,728	2,379,297	9,223,025
Disbursements:			
Program			
Public Safety	737,627	-	737,627
Public Works	1,245,324	-	1,245,324
Culture & Recreation	968,064	-	968,064
Community & economic development	855,078	-	855,078
General government	293,554	-	293,554
Debt Service	865,982	-	865,982
Capital projects	2,787,751	514,943	3,302,694
Business type activities	-	2,791,864	2,791,864
Total disbursements	7,753,380	3,306,807	11,060,187
Excess (deficiency) of receipts over disbursements	(909,652)	(927,510)	(1,837,162)
Other financing sources (uses)	-	279,152	279,152
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	(909,652)	(648,358)	(1,558,010)
Balance - beginning of year	3,645,800	1,166,995	4,812,795
Balance - end of year	\$ 2,736,148	518,637	3,254,785

See Accompanying Independent Auditor's Report

Budgeted Amounts		
Original	Final	Final to Net Variance
2,442,242	2,442,242	132,811
968,455	968,455	(90,976)
592,482	592,482	(80,723)
20,450	20,450	(419)
29,190	29,190	48,348
1,747,715	1,858,815	98,844
2,878,050	2,878,050	(163,346)
5,000	5,000	208,121
402,650	425,650	(149,969)
9,086,234	9,220,334	2,691
757,025	790,825	53,198
1,522,943	1,614,443	369,119
1,010,572	1,081,072	113,008
939,110	954,110	99,032
300,813	326,938	33,384
854,815	866,815	833
2,688,500	4,593,500	1,290,806
2,945,190	3,134,340	342,476
11,018,968	13,362,043	2,301,856
(1,932,734)	(4,141,709)	2,304,547
3,547,452	3,592,452	(3,313,300)
1,614,718	(549,257)	(1,008,753)
7,989,618	7,989,618	(3,176,823)
9,604,336	7,440,361	(4,185,576)

CITY OF HUMBOLDT, IOWA

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No.41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund, each major Special Revenue Fund and each major Capital Project Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts and budgeted disbursements by \$134,100 and \$2,343,075, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements did not exceed the amount budgeted for any functions.

CITY OF HUMBOLDT, IOWA

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year

Other Information

	<u>2015</u>
City's proportion of the net pension liability (asset)	0.011522%
City's proportionate share of the net pension liability (asset)	\$456,959
City's covered-employee payroll	\$1,157,802
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.47%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Humboldt
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 7 Fiscal Years

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 110,297	\$ 106,886	\$ 104,220	\$ 90,879
Contributions in relation to the statutorily required contribution	<u>(110,297)</u>	<u>(106,886)</u>	<u>(104,220)</u>	<u>(90,879)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,113,903	\$ 1,157,802	\$ 1,148,659	\$ 1,065,542
Contributions as a percentage of covered-employee payroll	9.90%	9.23%	9.07%	8.53%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is readily available.

See Accompanying Independent Auditor's Report.

<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 82,452	\$ 81,195	\$ 88,956
<u>(82,452)</u>	<u>(81,195)</u>	<u>(88,956)</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
\$ 1,060,771	\$ 1,113,903	\$ 1,275,685
7.77%	7.29%	6.97%

CITY OF HUMBOLDT, IOWA

Notes to Other Information – Pension Liability

June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.

CITY OF HUMBOLDT, IOWA

Notes to Other Information – Pension Liability

June 30, 2015

- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate. The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

CITY OF HUMBOLDT, IOWA

Statement of Cash Receipts, Disbursements
and Changes in Cash Balance
Nonmajor Governmental Funds
As of and for the year ended June 30, 2015

	Special Revenue						
	Community Projects	Local Option Sales Tax	Employee Benefits	Road Use Tax	13A Drainage District	Street Assessments	Chamber of Commerce
Receipts:							
Property tax	-	-	346,563		-	-	-
Other city tax	-	467,377	-		-	-	-
Use of money and property	-	-	-		-	-	-
Intergovernmental	-	-	-	487,682	-	-	-
Special assessments	-	-	-		208,940	4,181	-
Miscellaneous	24,514	-	77,602		-	-	17,243
Total receipts	24,514	467,377	424,165	487,682	208,940	4,181	17,243
Disbursements:							
Operating:							
Public safety	-	-	139,547	-	-	-	-
Public works	-	-	91,234	510,660	151	7,463	-
Culture and recreation	2,505	-	146,815	-	-	-	-
Community and economic development	-	-	-	-	-	-	17,597
General government	18,811	-	87,070	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total disbursements	21,316	-	464,666	510,660	151	7,463	17,597
Excess of receipts over disbursements	3,198	467,377	(40,501)	(22,978)	208,789	(3,282)	(354)
Other financing sources (uses):							
Operating transfers in	-	-	-	186,037	-	-	-
Operating transfers out	(13,264)	(1,685,000)	-	-	-	-	-
Total other financing sources (uses)	(13,264)	(1,685,000)	-	186,037	-	-	-
Net change in cash balances	(10,066)	(1,217,623)	(40,501)	163,059	208,789	(3,282)	(354)
Cash balances beginning of year	40,979	1,325,872	187,715	64,973	(205,187)	4,383	(1,160)
Cash balances end of year	30,913	108,249	147,214	228,032	3,602	1,101	(1,514)
Cash basis fund balances							
Nonspendable:							
Cemetery perpetual care	-	-	-	-	-	-	-
Restricted for:							
Streets	-	-	-	228,032	-	-	-
Employee benefits	-	-	147,214	-	-	-	-
Other purposes	30,913	108,249	-	-	-	1,101	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	3,602	-	(1,514)
Total cash basis fund balances	30,913	108,249	147,214	228,032	3,602	1,101	(1,514)

		Permanent	Capital Projects				
Economic Development Office	Revolving Loan Fund	Cemetery Perpetual Care	Eagle Ridge	Business Park	Downtown Demolition	Northside Urban Renewal	Total
-	-	-	-	-	-	-	346,563
-	-	-	-	-	-	-	467,377
-	23,442	183	-	-	-	-	23,625
-	-	-	-	-	-	-	487,682
-	-	-	-	-	-	-	213,121
75,456	-	1,275	-	-	-	-	196,090
75,456	23,442	1,458	-	-	-	-	1,734,458
-	-	-	-	-	-	-	139,547
-	-	-	-	-	-	-	609,508
-	-	-	-	-	-	-	149,320
76,030	-	-	-	-	-	-	93,627
-	-	-	-	-	-	-	105,881
-	-	-	-	15,286	-	148,413	163,699
76,030	-	-	-	15,286	-	148,413	1,261,582
(574)	23,442	1,458	-	(15,286)	-	(148,413)	472,876
-	-	-	-	-	85,646	-	271,683
-	-	(7,826)	-	-	-	-	(1,706,090)
-	-	(7,826)	-	-	85,646	-	(1,434,407)
(574)	23,442	(6,368)	-	(15,286)	85,646	(148,413)	(961,531)
(5,360)	140,956	60,023	(231,960)	78,716	(85,646)	237,959	1,612,263
(5,934)	164,398	53,655	(231,960)	63,430	-	89,546	650,732
-	-	52,051	-	-	-	-	52,051
-	-	-	-	-	-	-	228,032
-	-	-	-	-	-	-	147,214
-	164,398	1,604	-	63,430	-	89,546	459,241
-	-	-	-	-	-	-	-
(5,934)	-	-	(231,960)	-	-	-	(235,806)
(5,934)	164,398	53,655	(231,960)	63,430	-	89,546	650,732

CITY OF HUMBOLDT, IOWA

Schedule 2

Schedule of Indebtedness
Year Ended June 30, 2015

Obligation	Date Issued	Interest Rate	Amount Original Issue	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds									
Capital Loan Note Series 2009A	12/22/2009	0.75%	2,580,000	1,395,000	-	235,000	1,160,000	42,483	-
Capital Loan Note Series 2009B	12/22/2009	4.97%	1,320,000	1,320,000	-	-	1,320,000	68,556	-
Capital Loan Note Series 2011A	6/22/2011	0.65%	3,320,000	2,440,000	-	280,000	2,160,000	61,953	-
Capital Loan Note Series 2011B	6/22/2011	0.90%	1,845,000	1,340,000	-	250,000	1,090,000	28,340	-
Capital Loan Note Series 2012	9/20/2012	0.60%	1,535,000	1,410,000	-	145,000	1,265,000	28,058	-
Capital Loan Note Series 2014	5/28/2014	2.00%	1,870,000	1,870,000	-	345,000	1,525,000	30,704	-
				9,775,000	-	1,255,000	8,520,000	260,094	-
Urban Renewal Tax Increment Financing Bonds									
Rustix Restaurant	10/2/2006	5.85%	180,000	75,000	-	20,000	55,000	4,660	-
				75,000	-	20,000	55,000	4,660	-
Revenue Bonds									
Sewer Revenue Refunding Capital Loan Notes,	4/30/2012	0.60%	2,195,000	1,610,000	-	295,000	1,315,000	24,230	-
Water Plant Renovation SRF Loan	2/8/2013	2.00%	6,814,000	6,274,123	279,152	261,000	6,292,275	130,032	-
				7,884,123	279,152	556,000	7,607,275	154,262	-
Special Assessment Notes									
Hall Street Improvement Project	12/19/2008	6.00%		6,958	-	6,958	-	505	-
Water Sewer Service Line Repair	2/6/2012	4.00%		19,946	-	19,946	-	1,127	-
				\$ 26,904	-	26,904	-	1,632	-
Additional Long-term Debt									
Family Aquatic Center	10/2/2006	4.50%	231,940	45,143	-	22,212	22,931	1,788	-
Drainage Assessment	9/24/2014	6.00%	181,320	-	181,320	-	181,320	-	3,934
				\$ 45,143	181,320	22,212	204,251	1,788	3,934

See Accompanying Independent Auditor's Report

CITY OF HUMBOLDT, IOWA

Schedule 3

Schedule of Bond and Note Maturities

June 30, 2015

Year Ending June 30,	General Obligation TIF Rustix Issued 10/02/2006		General Obligation Capital Loan Note Series 2009A Issued 12/22/09		General Obligation Capital Loan Note Series 2009B Issued 12/22/09		General Obligation Capital Loan Note Series 2011A Issued 06/22/11		General Obligation Capital Loan Note Series 2011B Issued 06/22/11		General Obligation Capital Loan Note Series 2012 Issued 09/20/12		General Obligation Capital Loan Note Series 2014 Issued 05/28/14		Total
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
2016	6.20	25,000	2.75	245,000	4.97	-	1.75	285,000	1.75	255,000	0.85	145,000	1.00	350,000	1,305,000
2017	6.25	20,000	3.00	250,000	4.97	-	2.05	230,000	2.05	215,000	1.00	150,000	2.00	350,000	1,215,000
2018	6.30	10,000	3.20	260,000	4.97	-	2.25	235,000	2.25	205,000	1.65	20,000	2.00	360,000	1,090,000
2019	-	-	3.40	265,000	4.97	-	2.55	240,000	2.55	205,000	1.65	30,000	2.00	365,000	1,105,000
2020	-	-	3.60	140,000	4.97	135,000	2.80	245,000	2.80	210,000	1.65	50,000	2.00	100,000	880,000
2021	-	-	-	-	5.07	285,000	3.00	255,000	-	-	2.05	60,000	-	-	600,000
2022	-	-	-	-	5.17	290,000	3.15	215,000	-	-	2.05	75,000	-	-	580,000
2023	-	-	-	-	5.27	300,000	3.30	225,000	-	-	2.35	75,000	-	-	600,000
2024	-	-	-	-	5.37	310,000	3.45	230,000	-	-	2.35	75,000	-	-	615,000
2025	-	-	-	-	-	-	-	-	-	-	2.55	75,000	-	-	75,000
2026	-	-	-	-	-	-	-	-	-	-	2.55	85,000	-	-	85,000
2027	-	-	-	-	-	-	-	-	-	-	2.75	90,000	-	-	90,000
2028	-	-	-	-	-	-	-	-	-	-	2.75	95,000	-	-	95,000
2029	-	-	-	-	-	-	-	-	-	-	3.00	100,000	-	-	100,000
2030	-	-	-	-	-	-	-	-	-	-	3.00	70,000	-	-	70,000
2031	-	-	-	-	-	-	-	-	-	-	3.00	70,000	-	-	70,000
		<u>55,000</u>		<u>1,160,000</u>		<u>1,320,000</u>		<u>2,160,000</u>		<u>1,090,000</u>		<u>1,265,000</u>		<u>1,525,000</u>	<u>8,575,000</u>

Sewer Revenue Refunding
Capital

	Loan Notes Issued 04/30/12		Water Plant Renovation Loan		Total	Family Aquatic Center Issued 6/1/11		Drainage Assessment		Total
	Rate	Amount	Rate	Amount						
2016	1.20	300,000	2.00	267,000	567,000	4.50	22,931	6.00%	36,264	59,195
2017	1.50	300,000	2.00	272,000	572,000	-	-	6.00%	18,132	18,132
2018	1.75	305,000	2.00	277,000	582,000	-	-	6.00%	18,132	18,132
2019	1.90	310,000	2.00	283,000	593,000	-	-	6.00%	18,132	18,132
2020	2.10	100,000	2.00	288,000	388,000	-	-	6.00%	18,132	18,132
2021	-	-	2.00	294,000	294,000	-	-	6.00%	18,132	18,132
2022	-	-	2.00	300,000	300,000	-	-	6.00%	18,132	18,132
2023	-	-	2.00	306,000	306,000	-	-	6.00%	18,132	18,132
2024	-	-	2.00	312,000	312,000	-	-	6.00%	18,132	18,132
2025	-	-	2.00	319,000	319,000	-	-	-	-	-
2026	-	-	2.00	325,000	325,000	-	-	-	-	-
2027	-	-	2.00	331,000	331,000	-	-	-	-	-
2028	-	-	2.00	338,000	338,000	-	-	-	-	-
2029	-	-	2.00	345,000	345,000	-	-	-	-	-
2030	-	-	2.00	352,000	352,000	-	-	-	-	-
2031	-	-	2.00	359,000	359,000	-	-	-	-	-
2032	-	-	2.00	366,000	366,000	-	-	-	-	-
2033	-	-	2.00	958,275	958,275	-	-	-	-	-
		<u>1,315,000</u>		<u>6,292,275</u>	<u>7,607,275</u>		<u>22,931</u>		<u>181,320</u>	<u>204,251</u>

See Accompanying Independent Auditor's Report

CITY OF HUMBOLDT, IOWA

Schedule 4

Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds
For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Receipts:										
Property tax	\$ 2,575,053	\$ 2,299,858	\$ 2,406,148	\$ 2,302,147	\$ 2,152,704	\$ 1,904,779	\$ 1,633,656	\$ 1,655,745	\$ 1,544,817	\$ 1,582,782
Tax increment financing collections	877,479	824,701	669,180	282,262	443,021	420,167	404,449	312,532	365,022	185,636
Other city tax	511,759	472,093	482,326	388,242	397,628	341,082	357,445	393,347	389,048	304,638
Licenses and permits	20,031	23,424	18,256	17,087	19,458	25,452	17,366	20,715	17,661	14,987
Use of money and property	75,458	87,806	79,374	80,878	142,977	73,895	80,867	155,848	167,204	142,485
Intergovernmental	1,957,659	722,650	620,438	2,420,133	3,141,751	802,439	934,487	443,633	713,780	465,285
Charges for service	348,773	310,242	337,806	295,373	273,612	287,532	345,879	311,083	386,638	271,096
Special assessments	213,121	5,053	5,987	7,105	9,734	11,794	16,366	39,940	23,050	64,756
Miscellaneous	264,395	367,147	274,580	303,790	287,802	293,218	492,455	589,517	297,352	158,353
Total receipts	\$ 6,843,728	\$ 5,112,974	\$ 4,894,095	\$ 6,097,017	\$ 6,868,687	\$ 4,160,358	\$ 4,282,970	\$ 3,922,360	\$ 3,904,572	\$ 3,190,018
Disbursements:										
Operating:										
Public safety	\$ 737,627	\$ 726,286	\$ 727,871	\$ 682,479	\$ 675,231	\$ 653,393	\$ 906,627	\$ 622,585	\$ 600,159	\$ 629,836
Public works	1,245,324	962,776	919,433	1,224,325	876,813	1,124,118	1,317,778	877,931	933,321	680,999
Culture and recreation	968,064	1,068,279	905,935	907,804	973,989	1,097,108	977,325	908,995	850,460	651,089
Community and economic development	855,078	1,932,251	705,513	1,216,611	477,814	495,133	492,990	1,246,099	1,411,591	536,316
General government	293,554	379,774	296,072	279,996	290,821	253,579	260,547	271,955	243,422	201,098
Debt service	865,982	612,964	613,899	621,347	581,822	552,586	230,913	230,533	229,650	230,482
Capital projects	2,787,751	1,791,575	3,356,317	2,900,373	4,824,806	159,331	238,335	297,435	365,730	3,266,851
Non-program	-	-	-	-	-	49,724	54,957	74,590	53,708	105,841
Total disbursements	\$ 7,753,380	\$ 7,473,905	\$ 7,525,040	\$ 7,832,935	\$ 8,701,296	\$ 4,384,972	\$ 4,479,472	\$ 4,530,123	\$ 4,688,041	\$ 6,302,512

See Accompanying Independent Auditor's Report

CITY OF HUMBOLDT, IOWA

Schedule 5

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor Title	CFDA Number	Pass-through Grantor Number	Federal Expenditures
U.S. Department of Transportation:			
Direct Program			
Airport Improvement Grant			
Airport - T Hangar Improvements	20.106		<u>371,759</u>
Indirect Program			
Iowa Department of Transportation:			
Highway Planning and Construction Grant		Project No:	
Bridge Replacement	20.205	BRM-3595(608)8N-46	
		Iowa DOT Agreement:	<u>950,000</u>
		2-13-SBRU-002	
Total			<u>\$ 1,321,759</u>

Basis of Presentation - the Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Humboldt, Iowa and is presented in conformity with another comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Humboldt

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Humboldt, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Humboldt, Iowa's basic financial statements and have issued our report thereon dated January 20, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Humboldt, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Humboldt, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Humboldt, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, 2015-001, described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Humboldt, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Cost.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Humboldt, Iowa's Response to Findings

The City of Humboldt, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Humboldt, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Humboldt during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

T.P. Anderson & Company

January 20, 2016



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Humboldt, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City of Humboldt's major federal program for the year ended June 30, 2015. City of Humboldt's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for City of Humboldt's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Humboldt's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the City of Humboldt's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Humboldt complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of the City of Humboldt is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Humboldt's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Humboldt's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify a deficiency in internal control over compliance that we consider to be a material weaknesses, as defined above.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

T.P. Anderson & Company

January 20, 2016

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (e) The major programs for the Fiscal Year ended June 30, 2015 was CFDA# 20.205, Highway Planning and Construction, City Highway Bridge Program Project and CFDA #20.106, Airport Improvement Grant, T-hanger project.
- (f) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (g) The City of Humboldt, Iowa did not qualify as a low-risk audit.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

2015-001 Segregation of Duties - We noted that the cash receipt function and the recording of the cash receipts is on occasion handled by the same person.

Criteria - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Cause – there is a limited staff size that makes having an appropriate segregation of duties difficult for the City.

Effect – The City’s internal control system is not as strong as it could be with a proper segregation of duties.

Recommendation – The City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We believe that we are close to the maximum degree of segregation of duties possible with the limited number of office employees. We will investigate additional procedures to cost effectively improve internal control.

Conclusion - The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part III: Findings for Federal Awards:

INSTANCES OF NON-COMPLIANCE

CFDA Number 20.106: Airport Improvement Grant – Airport T-Hangar Improvements

Federal Award Year: 2015

U.S. Department of Transportation

None were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 20.205: Highway Planning and Construction Grant – Bridge Replacement

Pass-through Agency Numbers:

Project No: BRM-3595(608)-8N-46

Iowa DOT Agreement No: 2-13-SBRU-002

Federal Award Year: 2015

U.S. Department of Transportation

None were noted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

- III-A-15 Certified Budget – Disbursements did not exceed the budget for any functions during the year ending June 30, 2015.
- IV-B-15 Questionable Disbursement – We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-15 Travel Expense – No disbursements of City money for travel expense of spouses of City officials or employees were noted.
- IV-D-15 Business Transactions – No business transactions between the City and City officials or employees were noted.
- IV-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-15 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-15 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- IV-H-15 Revenue Bonds and Notes – Net revenues generated by the Water and Sewer funds were \$256,450 and \$250,660 respectively, which were 59% and 71% of the principal and interest paid on the water and sewer bonds in the following year.

Criteria – The Water and Sewer Bond covenants require the City to generate net revenues greater than 110 percent of the principal and interest due on the bonds.

Cause – The City did not test this covenant to identify covenant violations.

Effect – The City did not comply with bond covenants on either of these bond issues.

Recommendation – The City should consider raising water and sewer rates and consult with your bond counsel to determine the steps needed to rectify this violation.

Response – we raised our rates effective in July of 2015 to address this issue.

Conclusion – Response accepted.

City of Humboldt, Iowa

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

IV-I-15 Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Enterprise, Water Fund.

Criteria – Chapter 384.4 of the Code of Iowa states, in part “Monies pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Cause – The City was not aware of this Code position and did not transfer the funds to the Debt Service fund prior to paying the bonds.

Effect – The City did not comply with this section of the Code of Iowa.

Recommendation – The City should transfer from the Enterprise, Water Fund to the Debt Service Fund for future funding contributions. Payment of the bonds should then be disbursed from the Debt Service Fund.

Response – We will make the transfer in the future as recommended.

Conclusion – Response accepted.

IV-J-15 Financial Position – The following funds had a deficit balance as of June 30, 2015:
Water Fund - \$195,896
Economic Development Office Fund - \$5,934
Chamber of Commerce Fund - \$1,514
Sumner Avenue Fund - \$50,520
Eagle Ridge Fund - \$231,960

Criteria – A fund in sound financial position would not have a deficit fund balance.

Cause – The City normally has to front expenses for these activities prior to receiving reimbursement or grant funds.

Effect – The funds do not appear to be in sound financial condition.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The deficits will be eliminated when expected receipts are received.

Conclusion – Response accepted.